

Tax Free Tar Sands



Detroit Free Press photograph

New tax loophole gives tar sands oil a free ride



**NATURAL
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RANKING MEMBER, EDWARD J. MARKEY

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New tax loophole gives tar sands oil a free ride

A major pipeline used to ship Canadian crude oil, including tar sands oil, spilled 1,000 barrels of oil in Wisconsin this past weekend. The spill comes nearly two years to the day after a pipeline in the same system, operated by the Canadian company Enbridge, Inc., spilled more than 20,000 barrels of tar sands oil into the Kalamazoo River in Michigan, the largest and costliest pipeline spill in American history, with cleanup costs topping an estimated \$800 million.

The federal government pays for immediate costs it incurs in responding to oil spills out of the Oil Spill Liability Trust Fund, which is funded by an 8-cents-per-barrel excise tax on crude oil and petroleum products. The Internal Revenue Service, however, issued a little-noticed tax decision last year finding that tar sands oil is not crude oil under the law and therefore not subject to the tax.¹ This misguided opinion was directed at a single refiner (as discussed in more detail below), but other companies may take this as their cue to stop paying the excise tax on Canadian tar sands oil—if they were even paying it in the first place.

The new tax loophole could cost the spill response fund around \$48 million in 2012, based on the amount of tar sands now being shipped to the United States. In future years, hundreds of millions of dollars could be lost if imports of tar sands oil rise as expected. About \$400 million could be lost through 2017, when the excise tax is set to expire, based on current production forecasts (see Appendix A for estimated yearly revenue losses).

This money is needed to ensure that American taxpayers are protected from footing the bill for cleanup costs. The spill response fund is currently at risk of running out of money because of the combined costs of BP's Deepwater Horizon spill and Enbridge's Kalamazoo spill of tar sands oil, according to the Government Accountability Office.² And Enbridge could still file a claim against the fund to recoup some of its costs because the company has spent well over the liability cap of \$350 million for such spills.

In the Kalamazoo spill, tar sands oil proved to be more difficult and expensive to clean up than lighter crude oil, according to EPA officials responsible for overseeing the government's response.³ Because of its unique properties, tar sands oil had to be cleaned up at every level of the river—the top, the middle, and at the bottom, where it sunk into the sediment.

The National Academy of Sciences is also investigating whether tar sands oil is more corrosive and damaging to pipelines and therefore more likely to result in spills.⁴ The Keystone pipeline, which became operational in June 2010, has already had at least nine tar sands spills over the last two years, according to data from the Pipeline and Hazardous Materials Safety Administration (see

¹ TAM-142671-10, January 12, 2011, available at <http://www.irs.gov/pub/irs-wd/1120019.pdf>.

² GAO-10-795T, "Oil Spills: Costs of Major Spills May Impact Viability of Oil Spill Liability Trust Fund," June 16, 2010, available at <http://www.gao.gov/new.items/d10795t.pdf>.

³ Discussion with Democratic Committee staff.

⁴ The National Academies Project Information website, available at <http://www8.nationalacademies.org/cp/projectview.aspx?key=49461>

Appendix C for a list). The largest of these spills—a 400-barrel spill in North Dakota on May 7, 2011—caused an estimated \$1.3 million in property damage.

These spills, which have been at pump stations along the pipeline, could have occurred because the new system had bugs that the operator, TransCanada, failed to catch, according to federal regulators.⁵ Whatever the explanation, the record does not inspire confidence for the proposed Keystone XL pipeline, which would cross through 1,700 bodies of water, including the Missouri and Yellowstone rivers and the Ogallala and Carrizo-Wilcox aquifers. The Ogallala Aquifer alone supplies 30 percent of the groundwater used for irrigation in the United States as well as drinking water for two million people.⁶

Canada now produces about 1.6 million barrels of tar sands oils per day, and that amount is expected to more than triple to five million barrels per day by 2030.⁷ More than 85 percent of this tar sands oil is transported through pipelines to refineries in the United States⁸ (see Appendix B for data on amounts imported through tar sands pipelines). As more tar sands oil is imported from Canada, more money from the Oil Spill Liability Trust Fund will have to be used to deal with the inevitable increase in tar sands spills. At the same time, less money will be coming into the fund as a percentage of crude oil and petroleum products imported into the United States. That could leave the fund without sufficient resources to respond to large spills.

Importers of tar sands oil should shoulder the burden for the risks they impose on the American people. But because of IRS's tax decision, they may be avoiding this responsibility. The following analysis, prepared by the Natural Resources Committee Democratic staff at the request of Ranking Member Ed Markey (D-MA), finds that this decision was flawed and ill-informed. The IRS should therefore develop guidance or regulation clarifying that importers of tar sands oil must pay the excise tax levied on crude oil.

BACKGROUND

The Oil Spill Liability Trust Fund

Congress created the Oil Spill Liability Trust Fund in 1986, but did not pass legislation to authorize the use of the money or the collection of revenue necessary for its maintenance. That authorization was granted only after the Exxon Valdez grounding and the passage of Oil Pollution Act (OPA) in 1990.

Since the fund's authorization, the largest source of revenue has been a per-barrel excise tax, collected from petroleum companies. The original 5-cent-per-barrel tax expired at the end of 1994 because of the sunset provision in the law. The 2005 Energy Policy Act again reinstated the tax

⁵ Discussion with Democratic Committee staff.

⁶ Cornell University Global Labor Institute, "The Impact of Tar Sands Pipeline Spills on Employment and the Economy," March 2012, available at http://www.ilr.cornell.edu/globalaborinstitute/research/upload/GLI_Impact-of-Tar-Sands-Pipeline-Spills.pdf.

⁷ Canadian Association of Petroleum Producers, "Crude Oil: Forecast, Markets and Pipelines," June 2012, available at <http://www.capp.ca/getdoc.aspx?DocId=209546&DT=NTV>.

⁸ *Ibid* 7.

(effective April 2006). And the Energy Improvement and Extension Act of 2008 extended the per-barrel excise tax through December 2017 and increased the per-barrel excise tax from 5 cents to 8 cents from 2009-2016 and to 9 cents in 2017.

The excise tax is imposed on U.S. refiners receiving crude oil and on persons entering petroleum products, including crude oil, into the United States for consumption, use, or warehousing. However, the “tax is imposed only once on any imported petroleum product,” according to the IRS. “Thus, the operator of a U.S. refinery that receives imported crude oil must establish that the petroleum tax has already been imposed on such crude oil in order not to be liable for the tax.”⁹

The fund makes resources available to respond to and clean up oil spills and to pay claims to those who have incurred removal costs or suffered damages. For any given incident, a maximum of \$1 billion can be drawn from the fund to pay for related cleanup costs and economic damages.

The Oil Pollution Act also establishes several liability caps for parties found to be responsible for oil spills. The liability for tank vessels varies based on tonnage. Holders of leases or permits for offshore facilities are generally liable for up to \$75 million per spill for damages, but have no cap for removal costs. Responsible parties at onshore facilities and deepwater ports are generally liable for up to \$350 million per spill. Although OPA allows the executive branch to decrease this limit through regulations, this authority has not been exercised. Limits do not apply in certain cases such as situations involving gross negligence.

Since pipelines are considered onshore facilities, Enbridge’s cap for the pipeline spill in the Kalamazoo River is \$350 million. Total costs for that spill are currently estimated to be \$800 million,¹⁰ with \$765 million being directly incurred by Enbridge.¹¹ Enbridge may file a claim with the fund for the costs exceeding the \$350 million cap.

A responsible party has filed a claim with the fund before. In 2004, a tanker spilled nearly 265,000 barrels of heavy crude oil into the Delaware River that hampered shipping and polluted more than 45 miles of shoreline in New Jersey, Pennsylvania and Delaware.¹² The company spent more than the \$45 million liability limit that U.S. Coast Guard set for this incident.¹³ Once it went over the limit, the company asked for reimbursement from the Oil Spill Liability Trust Fund for \$124 million, which the company had paid for removal and damage costs.¹⁴

⁹ Internal Revenue Service, available at <http://www.irs.gov/publications/p510/ch03.html>.

¹⁰ National Transportation Safety Board, “Pipeline Rupture and Oil Spill Accident Caused by Organizational Failures and Weak Regulations,” July 10, 2012, available at <http://www.nts.gov/news/2012/120710.html>.

¹¹ Elizabeth McGowan and Lisa Song, Bloomberg News, “‘Keystone Kops’ Bungling Led to Costliest U.S. Pipeline Spill,” July 24, 2012, available at <http://www.bloomberg.com/news/2012-07-24/-keystone-kops-bungling-led-to-costliest-u-s-pipeline-spill.html>.

¹² Maryclaire Dale, Associated Press, “Citgo cleared of \$177M cleanup of Delaware River,” April 14, 2011, available at <http://www.usatoday.com/money/companies/regulation/2011-04-14-citgo-delaware-river-spill.htm>.

¹³ Congressional Research Service, “Oil Spills in U.S. Coastal Waters: Background, Governance, and Issues for Congress,” April 30, 2010.

¹⁴ See U.S. District Court for the Eastern District of Pennsylvania at <http://www.paed.uscourts.gov/documents/opinions/06D0023P.pdf>.

Internal Revenue Service Technical Advice Memorandum on Tar Sands

In auditing a U.S. refiner importing tar sands oil, an IRS agent challenged the company's position that the legal definition of crude oil does not include tar sands and therefore the company did not need to pay the excise tax on imported tar sands. On May 20, 2011, IRS lawyers issued a Technical Advice Memorandum (TAM-142671-10) agreeing with the refiner, stating that "tar sands imported into the United States are not subject to the excise tax on petroleum...." The IRS concluded that the generic terms "crude oil" and "petroleum products," as contained in the statute, do not clearly include or exclude tar sands. The IRS then based its decision on report language that was prepared by the House Committee on Ways and Means prior to passage of the Hazardous Waste Containment Act of 1980. According to the committee report, "the term crude oil does not include synthetic petroleum, e.g., shale oil, liquids from coal, *tar sands* [emphasis added], or biomass, or refined oil."

Tar sands (also known as oil sands or, more technically, bituminous sands) are a type of unconventional crude oil containing bitumen. The crude bitumen contained in the tar sands is petroleum existing in a semi-solid or solid phase in natural deposits. Bitumen is a thick, sticky form of crude oil, so heavy and viscous that it will not flow unless heated or diluted with lighter hydrocarbons thereby allowing it to be transported in pipelines. The refiner indicated to the IRS that it imports two liquids derived from tar sands: 1) bitumen extracted from tar sands and blended with another liquid to allow for pipeline transport (also known as diluted bitumen or dilbit), and 2) an upgraded oil from tar sands (also known as synthetic crude oil). The IRS's TAM exempted both from the excise tax.

ANALYSIS

Tar sands is widely considered to be crude oil

The IRS lawyers who drafted the TAM told Democratic Committee staff that they did not consult with subject-matter experts or survey industry and government documents in deciding whether tar sands is crude oil or a petroleum product. Had they done so, they would have found that petroleum companies, their trade associations, and government agencies consider tar sands to be crude oil. The following provides just a few examples:

- The Enbridge employee who reported the Kalamazoo spill to EPA referred to the tar sands oil spilled as crude oil. He did not use the words "tar sands," according to audio tape of the call obtained by Democratic Committee staff.
- The National Transportation Safety Board refers to tar sands as crude oil in its July 2012 report on the Enbridge Kalamazoo spill.¹⁵

¹⁵ National Transportation Safety Board report, "Enbridge Incorporated Hazardous Liquid Pipeline Rupture and Release in Marshall, Michigan, July 25, 2010," July 10, 2012, available at http://www.nts.gov/news/events/2012/marshall_mi/index.html.

- Officials at the Federal Energy Regulatory Commission told Democratic Committee staff that they consider tar sands to be crude oil under their regulations.¹⁶
- The Pipeline and Hazardous Materials Safety Administration (PHMSA) “does not differentiate between the types of crude oils that go through a pipeline,” according to an email from PHMSA staff to the Committee’s Democratic staff. Based on PHMSA’s regulations, oil sands are crude oil.¹⁷
- The Energy Information Administration says that crude oil is what’s extracted from tar sands: “The United States increasingly is using crude oil extracted from oil sands and oil shale, as well as other nontraditional petroleum sources that require additional processing.”¹⁸
- The U.S. Department of State considers diluted bitumen and synthetic crude oil derived from tar sands to be types of crude oil: “Diluted bitumen is similar to other crude oils derived from various locations throughout the world, such as portions of California, Venezuela, Nigeria, and Russia. For the purposes of this analysis, transportation of two crude oil types will be assumed: synthetic crude oil and diluted bitumen.”¹⁹
- “Oil sands are deposits of bitumen, a thick, sticky form of crude oil,” according to the Government Accountability Office.²⁰
- “Oil sands crude oil does not flow naturally in pipelines because it is too dense,” according to the Canadian government.²¹
- The Canadian Association of Petroleum Producers refers to “[c]rude oil, including oil sands,” and says, “Production from oil sands currently comprises 59 per cent of western Canada’s total crude oil production.”²²
- The American Petroleum Institute also describes tar sands as crude oil: “Diluted bitumen is one of the types of crude oil derived from the Canadian oil sands in Alberta, Canada.”²³

¹⁶ Committee staff meeting with FERC officials.

¹⁷ Email correspondence with PHMSA officials.

¹⁸ U.S. Energy Information Administration, “Annual Energy Outlook 2012 with Projections to 2035,” available at [http://www.eia.gov/forecasts/aeo/pdf/0383\(2012\).pdf](http://www.eia.gov/forecasts/aeo/pdf/0383(2012).pdf).

¹⁹ Department of State, Draft Environmental Impact Statement for Keystone XL, Appendix P, available at <http://keystonepipeline-xl.state.gov/documents/organization/182359.pdf>.

²⁰ GAO-07-283, “Crude Oil: Uncertainty about Future Oil Supply Makes It Important to Develop a Strategy for Addressing a Peak and Decline in Oil Production” (Washington, D.C.: February 2007), available at <http://www.gao.gov/assets/260/257064.pdf>.

²¹ Canadian Department of Natural Resources, “Canadian Crude Oil, Natural Gas and Petroleum Products: Review of 2009 & Outlook to 2030,” May 2011, available at <http://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/energy/files/pdf/eneene/sources/crubru/revrev/pdf/revrev-09-eng.pdf>.

²² Canadian Association of Petroleum Producers, “Crude Oil: Forecast, Markets and Pipelines,” June 2012, available at <http://www.capp.ca/getdoc.aspx?DocId=209546&DT=NTV>.

²³ American Petroleum Institute and Association of Oil Pipelines, “Pipeline Transportation of Diluted Bitumen from the Canadian Oil Sands,” October 14, 2011, available at <http://www.cepa.com/wp-content/uploads/2011/10/Facts-About-Pipeline-Transportation-of-Diluted-Bitumen.pdf>.

And, “About half of the Canadian crude oil brought into this country is derived from oil sands.”²⁴

The IRS’s conclusion appears to be the result of an inadequate understanding of the subject matter and of the terminology employed by both industry and regulatory bodies. The law relies on a common understanding of these terms. The terms “crude oil” and “petroleum products” are broad and inclusive. It is unnecessary for the statute to explicitly use the words “tar sands” or list all categories of crude oil or petroleum products for the tax to apply. The statute’s plain meaning should be controlling, not language from a 1980 House committee report.

What tar sands meant in 1980 is not what tar sands means today

In 1980, when the committee report cited by IRS was written, extraction of tar sands in Canada was still in the early stages. At that time, Canada produced 100,000 barrels of tar sands oil per day, and all extraction was based on mining extraction, which involves excavators and draglines.²⁵ The bitumen was transported using conveyor belts to processing facilities within Alberta, where it was then upgraded into synthetic crude oil before being shipped out to a refiner.²⁶

Tar sands reserves have only recently been considered to be part of the world’s oil reserves, as higher oil prices and new technologies have made it profitable to obtain petroleum products from tar sands. Today, Canada produces about 1.6 million barrels of tar sands oils per day, of which about 45 percent is mined, while the remaining 55 percent of tar sands is extracted in-situ.^{27,28} About 85 percent of the bitumen extracted through in-situ recovery is diluted with diluent and transported in the form of diluted bitumen to refineries in the United States.²⁹ The Canadian industry estimates that in situ recovery will take over mining as the most important form of tar sands extraction by 2015.³⁰

The refiner subject to the IRS TAM imports upgraded synthetic crude oil derived from tar sands using processes available in 1980. But it also imports diluted bitumen which requires newer extraction technologies that were not used at the time of the House committee report. Diluted bitumen is not refined and, as documented above, is considered by industry and government to be crude oil.

This is not to say that the IRS was correct in determining that synthetic crude oil derived from tar sands is not subject to the excise tax. Like diluted bitumen, synthetic crude oil is also widely considered to be crude oil (see the quote from the State Department above), and it would be hard to

²⁴ American Petroleum Institute, “Canadian Oil Sands: Enhancing America’s Energy Security, May 2011, available at http://www.api.org/~media/Files/Oil-and-Natural-Gas/Oil_Sands/OIL_SANDS_PRIMER_MAY_2011.ashx.

²⁵ Canadian Association of Petroleum Producers, “The Facts on Oil Sands,” June 2012, available at <http://www.capp.ca/getdoc.aspx?DocId=191939&DT=NTV>.

²⁶ Canadian Centre for Energy, “Canada’s Oil sands, Third Edition, November 2011, available at <http://www.centreforenergy.com/shopping/uploads/12.pdf?472012214853>.

²⁷ *Ibid* 1.

²⁸ Energy Policy Research Foundation, Inc., “A Primer on the Canadian Oil Sands,” November 2010 available at <http://eprinc.org/pdf/oilsandsprimer.pdf>.

²⁹ *Ibid* 2.

³⁰ *Ibid* 7.

find anyone outside of the IRS who would argue that it's not a petroleum product. Again, it's the statute that's controlling, not report language written by a House committee 32 years ago.

The intent of the spill response fund was to pay for costly oil spills, including tar sands spills

Congress created the spill response fund in the wake of the Exxon Valdez oil spill when the enormous costs of cleaning up oil spills became better understood. Congress's purpose in creating the spill response fund was clear: Petroleum companies that produce or handle dangerous products should pay for cleaning up their spills and insure against the risks they impose on the American people.

Congress's intent is clear in the Oil Pollution Act, which authorized the fund. In defining oil covered by the fund, it states that "'oil' means oil of any kind or in any form, including, but not limited to, petroleum, fuel oil, sludge, oil refuse, and oil mixed with wastes other than dredged spoil." Further, the presidential signing statement for the fund says, "The Act addresses the wide-ranging problems associated with... oil spills. It does so by creating a comprehensive regime for dealing with vessel and facility-caused oil pollution."

Congress' objective in creating the spill response fund has been severely hampered by the IRS's position excluding tar sands from the definition of crude oil. As a matter of public policy, it is important that all oil companies be held responsible for the disasters associated with the products they sell and that taxpayers not be forced to pay the bills of cash rich oil companies.

Not only does the IRS's TAM misread congressional intent and fail on technical grounds; it also runs contrary to both public policy and common sense. If the oil spill response fund is to pay for costly tar sands spills, as required by law, then common sense dictates that Congress intended for the excise tax to apply to those responsible for importing it.

CONCLUSION

The IRS's conclusion that tar sands oil is neither crude oil nor a petroleum product is wrong. The TAM effectively creates a tax loophole and a subsidy for the refiner subject to the TAM and for others who might use the TAM as justification for avoiding the excise tax, potentially costing the oil spill response fund tens of millions of dollars a year.

Had the IRS lawyers performed more robust research and analysis, they should have concluded that the law is sufficiently clear and that the excise tax applies to all crude oil and petroleum products, including crude oil derived from tar sands. For this reason, the IRS should revisit its research and analysis and provide guidance and/or regulations to ensure that the IRS's position comports with the law.

Appendix A
Estimated Revenue Loss if Excise Tax is Not Paid on Imported Tar Sands
2011-2017

	2011	2012	2013	2014	2015	2016	2017
Forecasted amount of oil sands production in Canada in barrels per day ³¹	1,745,000	1,931,000	2,195,000	2,358,000	2,481,000	2,638,000	2,780,000
Barrels per year calculated from barrels per day	636,925,000	704,815,000	801,175,000	860,670,000	905,565,000	962,870,000	1,014,700,000
Amount imported per year assuming 85 percent of tar sands production is shipped to the United States	541,386,250	599,092,750	680,998,750	731,569,500	769,730,250	818,439,500	862,495,000
Total revenue loss for each year if excise tax is not paid (barrels per year times 8 cents/barrel for 2011-2016 and times 9 cents/barrel for 2017)	\$43,310,900	\$47,927,420	\$54,479,900	\$58,525,560	\$61,578,420	\$65,475,160	\$77,624,550
Total revenue loss during 2011-2017	\$ 408,921,910						

³¹ *Ibid* 7.

Appendix B

Crude Oil Imported from Tar Sands Pipelines

There are three major pipeline operators that import tar sands oil from Canada to the United States. The following provides the total amount of crude oil, including tar sands oil, they imported for 2011 and 2010.³²

For 2011:

Enbridge Energy Limited Partnership: 620,397,439 barrels

Keystone Pipeline Co, LLC: 2,828,753 barrels

Express Pipeline, LLC: 63,375, 922 barrels

For 2010:

Enbridge Energy Limited Partnership: 603,613,523 barrels

Keystone Pipeline Co, LLC: 2,997,000 barrels

Express Pipeline, LLC: 72, 428, 599 barrels

³² Source for the amount of barrels: FERC Form No. 6/6-Q (Rev. 12-00)

Appendix C
Incidents Reported to PHMSA by the Operator of the Keystone Pipeline
As of January 2012³³

NAME OF COMPANY	DATE OF ACCIDENT	COMMODITY	AMOUNT SPILLED (IN BARRELS)	STATE	DESIGNATED LOCATION	PIPELINE STATION NAME	SYSTEM/ PART INVOLVED	TOTAL PROPETRY DAMAGE	CAUSE
TC OIL PIPELINE OPERATIONS INC	8/19/2010 8:30	CRUDE OIL	0.24	NE	MILEPOST/VAL VE STATION	HARTINGTON PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$33,018	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	6/23/2010 12:00	CRUDE OIL	2.38	SD	MILEPOST/VAL VE STATION	ROSWELL PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$30,417	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	5/21/2010 13:45	CRUDE OIL	0.11	SD	MILEPOST/VAL VE STATION	CARPENTER PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$207,508	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	5/29/2011 2:00	CRUDE OIL	8.5	KS	MILEPOST/VAL VE STATION	SEVERANCE PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$333,500	EQUIPMENT FAILURE

³³ Source: PHMSA Incident Reports Database. Total Property Damage (in 2012 dollars) was calculated by Committee staff.

TC OIL PIPELINE OPERATIONS INC	5/7/2011 6:20	CRUDE OIL	400	ND	MILEPOST/VAL VE STATION	LUDDEN PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$1,316,000	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	3/16/2011 9:45	CRUDE OIL	15	KS	MILEPOST/VAL VE STATION	SENECA PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$339,300	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	2/17/2011 15:10	CRUDE OIL	0.24	KS	MILEPOST/VAL VE STATION	ROCK PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$5,524	EQUIPMENT FAILURE
TC OIL PIPELINE OPERATIONS INC	2/3/2011 14:10	CRUDE OIL	0.36	OK	MILEPOST/VAL VE STATION	CUSHING DELIVERY STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$25,065	INCORRECT OPERATION
TC OIL PIPELINE OPERATIONS INC	1/30/2011 19:00	CRUDE OIL	0.24	MO	MILEPOST/VAL VE STATION	TURNERY PUMP STATION	ONSHORE PUMP/METER STATION EQUIPMENT AND PIPING	\$20,045	EQUIPMENT FAILURE

